

Dakota County Child Care Advisory Committee

Review Of Child Care's Economic Influence In Dakota County

Report to the Dakota County Board of Commissioners

December 14, 2004

The Child Care Advisory Committee dedicated this year to examining the economic influence of child care in Dakota County. This topic was timely as the Committee's selection of this area coincided with the release of "The Economic Impact of the Child Care Industry in Minnesota", a report by the National Economic Development and Law Center funded by a grant from the Kellogg Foundation. Data from "The Economic Impact of the Child Care Industry in Minnesota" were a centerpiece to the study of the Committee and is reflected throughout our report.¹

In the Child Care Advisory Committee's review of child care's economic influence in Dakota County, the Committee reached three conclusions:

1. Child care is essential to Dakota County's economy and citizens. It permits parents to work, provides employment, generates tax dollars, and increases business in other industries through purchased goods and services.
2. Quality care is important for Dakota County's children—our future employees, taxpayers and citizens.
3. Efforts to make quality child care affordable helps to keep parents in the workforce, indirectly subsidizes lower paying jobs, and supports healthy child development.

Child Care Allows Parents to Work

Who needs care?

In the U.S. in 1948, 13 percent of mothers with children under six and 31 percent of mothers with children ages six through twelve worked outside the home. 94% of these working mothers left children in the care of relatives, neighbors, or friends, and only 4% left children in a group setting.²

U.S. Census Bureau and the Bureau of Labor Statistics found that in 2000, Minnesota led the nation in women's participation in the labor force with 70.3% of Minnesota women working compared to the national average of 60.2%. Minnesota women with children are more likely to work than Minnesota women without children—79% of women with children versus 60% of women without, likely because women in childbearing years generally are more likely to work than younger or older women are. Minnesota also rated fourth nationally in men's participation in the labor force. Given that both men and women in Minnesota have high rates of workforce participation, it is not surprising that there are a lot of households with children where all parents

in the home work. Two-thirds of two-parent households with children under age six have both parents working. In single-mother households with children under age six, 77% of the mothers work. In single-father households with children under age six, 84% of the fathers work. These rates all increase when the children are age six to seventeen: 76% both parents, 87% single mothers, and 88% single fathers.³

Dakota County statistics from the 2000 Census support this picture of parents in the workforce. For households with children under the age of six years, 70% have all parents in the household working. For households with children age 0-12, 74% have all parents in the household working. In Dakota County, this means 22,404 children under age six, and a total of 55,681 children through age twelve have all parents in the household working.

Where is care provided?

In Minnesota, a 1999 statewide household survey found that nearly 40 % of children under school age are cared for in child care centers and 29% are cared for in licensed family child care homes. 76% of children of working parents are in some form of non-parental care setting.⁴

Child care choices in Dakota County have been less well-investigated. Regarding the supply of care in Dakota County:

Number by program type	
966	licensed family child care homes
80	licensed child care centers
67	school age care programs
44	licensed preschool programs (non-residential)

Based on the capacities of the licensed family child care homes, it is estimated that there are 10,588 full time slots in Dakota County. Licensed child care centers have 7598 slots. This provides a total capacity in licensed child care in Dakota County of 18,186 slots. If compared to the 55,681 children in Dakota County through age twelve who have all parents in their household working, it is clear that parents make other arrangements for their children besides full time licensed child care.

Why should employers care about child care?

Having stable child care permits parents to accept jobs and remain employed, increasing employee retention and reducing absenteeism. Almost a quarter of Minnesota parents with children under the age of six—24.7%--stated that problems with child care in the last year prevented them from keeping or accepting the kind of job they want.⁵ A national study of unscheduled absenteeism conducted in 2003 found that 22% of employees unscheduled absences were due to “family issues”, which includes child care problems. (See Attachment A for survey results.) While child care is only a portion of the absenteeism picture, absences have real impact on employers as it is estimated that unscheduled absences cost employers \$645 per employee in 2003.⁶

In addition to reducing turnover and absenteeism, child care also offers opportunities for employers to make their workplace more appealing to prospective or current staff. The child care benefits that employers offer range from information and referral, family friendly policies, all the way to directly providing or subsidizing child care. (Attachment B shows options available for employers, and Attachment C for use and effectiveness of work-life programs.) These benefits can serve as valuable recruitment tools for employers. For employers that have child care benefits:

- Two-thirds of employers report that either the benefits outweigh the costs or programs are cost-neutral when they operate child care programs;
- Three-quarters of employers report that the benefits outweigh the costs or programs are cost-neutral when they offer flexible work schedules; and
- Three-quarters of employers report that the benefits outweigh the costs or programs are cost-neutral when they offer family leave policies.⁷

TruMed Technologies in Burnsville has operated an onsite child care program serving employees' children since December of 2000. This small, mixed-age center provides an opportunity for employees, many of whom do not speak English as their home language, to be able to lunch with their children. LifeSpan in Eagan has a similar small, mixed-age child care program for their employees. Smead Corporation in Hastings purchases enhanced child care resource and referral services for their staff.

A final word on care provided: child care is an important factor in workforce development, not just employment. In the same way that stable child care is necessary for successful workforce participation by parents, stable child care allows parents to seek additional training and education often needed for full workforce participation. Until recently, Dakota Technical College contracted for a child care center, providing care for students, as well as providing work and learning experiences for child development students. Sadly, the child care program closed last year due to budget cuts, but child care programs like theirs remain at many colleges and universities because they serve the needs of students and institutions.

Child Care is a Key Industry

How big is child care?

Licensed child care as an industry generates significant output in the services it provides each year. In the state of Minnesota, licensed child care contributes more in annual gross receipts (\$962 million) than all cash receipts from wheat, oats, barley, and hay combined (\$339 million), and is 77% the size of the corn industry in Minnesota...and Minnesota's corn industry ranks third in the nation (\$1,246 million). Extrapolating from statewide data based on the number and size of licensed programs in Dakota County, it is estimated that the total dollars flowing into the sector in the form of payments for care from parents, public programs and private subsidies was about \$69 million in 2003.⁸

How does it impact incomes?

Licensed child care employs a significant number of people. The following table compares the number of full time equivalent jobs by industry in Minnesota in 2003:

Building construction	29,330 FTEs
Child care	28,058 FTEs
Elementary school teachers	24,414 FTEs
Legal services	19,051 FTEs
Business services	15,647 FTEs
Health insurance	13,209 FTEs

Of the approximately 28,000 full time equivalent jobs in child care in Minnesota in 2003, it was estimated that about 2,000 were in Dakota County. In comparison, real estate and rental and leasing employed 2,194 people in Dakota County in 2003 and paid \$63,911,454 in wages.⁹

The challenge with child care is the quality of the jobs in the field. The 2001 Twin Cities Metropolitan Area Occupational Employment and Wage Estimate from the U.S. Department of Labor, Bureau of Labor Statistics, provided the following comparison of jobs in the metropolitan area with their mean annual incomes:

Occupation	Mean Annual Income
Nursing Aide	\$24,720
Teacher's Assistant (K-12)	\$23,210
Receptionist	\$22,550
Retail Sales	\$21,950
Bank Teller	\$21,500
Housekeeping	\$19,580
Parking Lot Attendant	\$18,040
Child Care Worker	\$17,840

This might help to explain why turnover in child care centers, preschools, and school age care sites ranges from 20-30%. The leading reason center staff gave for leaving center programs was dissatisfaction with pay, and the survey found that in general “the lower the hourly wage, the higher the turnover rate.”¹⁰

What other industries benefit from child care?

Receipts generated by child care in the state of Minnesota as reported in the Economic Impact of Child Care were \$962 million annually (gross receipts), with about \$69 million of that generated in Dakota County. These amounts only reflect direct outputs. This does not take into account secondary businesses with revenue generated from child care businesses. The Committee brainstormed other businesses that serve or even largely exist because of the child care industry.

These included:

Tax accountants	Bulk retailers	USDA food programs
Training sources	Home grocery services	Insurance companies
Infant equipment stores	Art supply stores	Cleaning services
Diapers services	Online retailers	UPS and home delivery
Publishers	Toy stores and distributors	Magazines
Print shops	Computer retailers	Fundraising companies

Child Care Quality Matters to Our Economy

Children under school age in full time child care generally attend about nine hours a day, five days a week, fifty weeks of the year, for a total of 2250 hours each year. Given that these hours for most children are their daytime, exploring hours, it is not surprising that child care quality can have a measurable impact on child development and early learning. Research has repeatedly shown us the importance of high-quality early childhood experiences on later outcomes for children. Some of the studies considered in the “Economic Impact of the Child Care Industry in Minnesota” and reviewed by our Committee included these findings:

- Young children in high-quality preschool setting had greater language development, mathematical ability, thinking and attention skills and fewer behavioral problems in kindergarten than children in lower quality care settings.¹¹
- Children from low-income families randomly selected to participate in a high-quality, intensive, early education program had higher cognitive test scores from toddler years through elementary school than the control group of children not selected to participate. These same children participating in the early education program were later found to be more likely to attend college and be in a high-skilled job or in higher education at age 21.¹²
- Children participating in a high-quality, intensive preschool were assessed at age 27 and compared to their peers. They were found to be less likely to be on welfare, more likely to own a home, and to have a higher average income than their childhood peers who did not participate in the program.¹³
- Children from low-income families who attended a high-quality, child-focused program were later found to have a lower incidence of quitting high school, needing special education, repeating grade levels, or being involved with the juvenile corrections system than their peers had.¹⁴

The Federal Reserve noted this influence of early care on later public costs. Based on evaluation of the literature, return on investment in early childhood development programs was calculated. The results showed targeted high-quality programs for young children in low-income families

have enough positive long-term effects on participants to reducing future public spending that these programs yield a high rate of public return compared to other areas of public investment.¹⁵

As noted earlier, licensed family child care serves more children in Dakota County than licensed child care centers. While licensed family child care has not yet be subject to the sort of longitudinal studies that are recounted for the preschool center programs above, there are studies on the quality of family and relative child care. Research has found that the factors most highly correlated with being rated as sensitive, observed as responsive, and scored higher in global quality were:

- being committed to taking care of children and doing so from a sense that this work is important and it is what they want to be doing;
- seeking out opportunities to learn about children's development and child care, having higher levels of education and participating in family child care training;
- thinking ahead about what the children are going to do and planning experiences for them;
- seeking out the company of others who are providing care and being more involved with other providers;
- being regulated (meaning—in Minnesota terms—being licensed);
- caring for slightly larger groups and having slightly higher adult to child ratios; and
- charging higher rates and following business and safety practices.

The same research established that only half of the children were securely attached to their providers, and quality was generally not high: 9% good, growth-enhancing quality; 56% adequate/custodial, neither growth-enhancing nor growth-harming; 35% inadequate (growth-harming). Children from low-income homes and children of color both were more likely to be in lower quality care than their counterparts in higher-income or majority culture families. Of the parents who looked for alternatives when selecting care, 65% believed they had no choices. Twenty-eight percent of all the mothers in the sample would use other care were it available.¹⁶

Dakota County has made efforts in supporting the factors correlated with quality in family child care. In addition to promoting training through a contract for coordinating training to family child care providers, Dakota County has a scholarship program for first aid/CPR training and gift memberships to the Dakota County Family Child Care Association. These efforts forward training in safety practices and connect providers with other professionals in the field. Dakota County also presents about twenty training sessions a year, free of charge, focusing on child development, child care and supporting children's learning. A recent mini-grant from the National Association of Counties to Dakota County permitted training of social workers to align their sessions with the domains and activities measured in the Minnesota Kindergarten Entrance Developmental Assessment, and to supply extensive materials to family child care providers on ways to support early learning for the children in their care.

Child Care Must Be Affordable

Child care is a significant expense for families. Attachment D is the 2004 child care rate survey results, showing the average rate charged for child care by community, type of care and age of

child. Data from these rate surveys, conducted statewide, have allowed comparison to median income in Minnesota to permit an estimate that for a family of four with two children under school age using a child care center, child care costs would exceed a quarter of their income if they lived in the metropolitan area and almost a fifth of their income outside of the metro area. Just as the U.S. Department of Housing and Urban Development historically defines housing affordability at 30% of a household annual income, the U.S. Department of Health and Human Services' Child Care Bureau has guidelines of child care costing 10% of annual household income. This compares to the U.S. Department of Education expecting a family to pay 5% of annual income for college costs for calculating federal financial aid. The following table reports income levels from the U.S. Department of Housing and Urban Development, with the calculated threshold for child care to be considered affordable:

Median Income Levels and 10% Affordability Thresholds in Minnesota, 2002

	Median family income	80% of median income	50% of median income
Statewide	\$64,500	\$51,600	\$32,250
10% affordability threshold	\$6,450	\$5,160	\$3,225
Twin Cities metro	\$76,700	\$61,360	\$38,350
10% affordability threshold	\$7,670	\$6,136	\$3,835
Greater Minnesota	\$48,500	\$38,800	\$24,250
10% affordability threshold	\$4,850	\$3,880	\$2,425

(Note that the income at 50% of median income statewide—\$32,250—for a family of four still exceeds 175% of federal poverty level, so this family would not be eligible for Basic Sliding Fee through Child Care Assistance Programs.)

Based on the calculations of the affordability threshold, Dakota County is one of a dozen counties in Minnesota in which one-third or fewer of the rates reported by child care centers are considered affordable. (Counties had to have at least five centers reporting. The other counties with a third or less affordable centers were: Anoka, Blue Earth, Carver, Hennepin, Olmsted, Ramsey, Scott, St. Louis, Stearns, Washington, and Winona.) The actual percentage of programs reporting toddler rates that were affordable in 2002 in the Twin Cities metro area were:

TWIN CITIES METRO AREA	Child care centers	Licensed family child care
For median income families	23.9% are affordable	89.6% are affordable
For 80% of median income	3.9% are affordable	45.3% are affordable
For 50% of median income	0.7% are affordable	0.7% are affordable

The toddler rates used in the table are less expensive than infant rates, but more expensive than preschool and school-age care rates.¹⁷ The statewide household survey conducted in 2001 by Wilder Research Center found households with incomes less than \$20,000 annually paid more than 32% of their income on out-of-pocket child care costs. Households with incomes from \$20,000 to 44,999 spent between 10% and 23% of their income, households with incomes from \$45,000 to 74,999 spent between 7% and 11% of their income, and only households with incomes over \$75,000 consistently spent in the affordable range at less than 9%.¹⁸

A discussion of the economic impact of child care in Dakota County would not be complete without discussion of Child Care Assistance Programs. Single parents would need to earn significantly more than the minimum wage—\$18.41 in the metro area and \$6.87 outside the metro area—in order to cover their basic living costs of food, clothing, housing, transportation, health care, child care and taxes if they did not receive child care assistance.¹⁹ A recently completed study funded by the Minnesota Department of Human Services and the Child Care Bureau in the U.S. Department of Health and Human Services looked at the jobs of people on Child Care Assistance Programs (CCAP) in Anoka, Becker, Brown and Hennepin Counties in 2001. This study found that CCAP participants typically fill low wage jobs that generally have the highest vacancy rates. In this way, CCAP is reasonably responsive to local economic conditions by helping to address industries with labor shortages. Although it varied based on the needs of the individual counties' economies, these jobs clustered in temporary help agencies, health care (nursing homes, residential care facilities, physician/dentist offices, hospitals), retail (grocery, discount stores, general merchandise, et cetera), and food service (especially restaurants). Wages for these jobs were low enough that CCAP was paying nearly as much for these employees' child care as the employers were paying in wages. Furthermore, the types of jobs held by the CCAP participants were unlikely to provide opportunities for advancement that would make them less dependent on public assistance over time.²⁰

This information is very concerning given the reductions in Child Care Assistance Programs during the 2002 Minnesota Legislative Session. Parent co-payments increased, and the level of payment from CCAP for individual families declined. The impact on low-wage industries and low-income families has yet to be measured, but data on the role of CCAP in low-income families' budgets implies that the ability of parents to accept low-wage jobs and meet their living expenses may be impaired. This, coupled with the statistic regarding the portion of a median income family's budget that goes to child care costs underscores the significant expense to families and the public to have care for children while parents work.

Key Findings

The Dakota County Board of Commissioners has a long tradition of supporting child care in Dakota County and Minnesota. This leadership has positioned the Board to speak to the impact of child care on the Dakota County economy. The key findings to promote from this study include:

- Child care is a significant industry in Dakota County and a vital part of Dakota County's economic infrastructure, and as such is valued as important to Dakota County's economy and Dakota County's families.
 - Reliable child care has immediate economic benefits in allowing parents to work and employers to have a stable workforce.
 - When child care is high quality, there are long term economic benefits in developing a skilled future workforce while reducing expensive public interventions like special education, juvenile corrections, and public assistance.
 - Child care must be affordable if families and employers are to gain these advantages.
- For these reasons, child care must be promoted as critical for the success of our children, with support for initiatives that seek to improve access to high quality care.

Child care affordability has to be a high priority, and deserves special note. As described in this report, quality care has important short and long term benefits, but quality care is expensive. In addition to the potential costs of equipment and supplies that enhance the quality of care, research has shown that higher wages alone for caregivers correlates with higher quality care. Remedies must be sought to make quality care affordable for families. This study showed that seeking affordability by forcing down wages for child care professionals—the current strategy used in Child Care Assistance Program policy—is not an answer that provides access to reliable, high quality care.

Recommendations

It is the recommendation of this study that the Dakota County Board of Commissioners promote the child care industry in Dakota County as an important part of our economic infrastructure: one that employs many of our residents, allows parents to work, reduces absenteeism in other industries, and encourages a capable workforce for the future. This support should come in the form of advocating for improved access to affordable care, improved quality of care and reduced turnover in the child care industry. The following steps can help achieve this aim.

- The Dakota County Board of Commissioners should continue to support a strong child care industry. As the Board evaluates business and development proposals, the needs of and the impact on child care must be considered to sustain this portion of the economic infrastructure.
- The Dakota County Board of Commissioners can lead in educating Dakota County businesses and constituents about the importance of child care by sharing the findings of this report. Direct steps to achieve this can include posting this report on the county website, or more active steps such as meeting with the Workforce Investment Board and/or Rotary Clubs and Chambers of Commerce in Dakota County to communicate the impact of child care on the economy and business options to nourish the industry.
- The Dakota County Board of Commissioners can lead at the state level on affordability of child care by supporting legislation that broadens eligibility for Child Care Assistance Programs back to the pre-2003 levels.
- The Dakota County Board of Commissioners can provide further support for affordability at the state level by backing initiatives that offer immediate incentives for small businesses to provide child care benefits to their employees.
- The Dakota County Board of Commissioners can lead in impacting affordability and quality locally by exploring property tax incentives like reducing property taxes by ten percent on licensed child care programs, or more for accredited child care programs.
- The Dakota County Board of Commissioners can lead at the state level to reduce turnover in the field by promoting the development of a health care insurance option for child care

professionals, asking that child care providers be allowed to buy into the state employee's health care program.

The Dakota County Board of Commissioners has a notable history of championing child care needs, both in Dakota County and in Minnesota. The Board's commitment to child care issues, when taken in light of the findings of this report, is shown to be well-advised and beneficial to Dakota County, and as such should continue.

ATTACHMENTS

Attachment A: Reasons for Unscheduled Absences—2003, CCH, Inc.
www.cch.com/absenteeism/

Attachment B: Comparison of Child Care Options for Employers, Minnesota Child Care Resource and Referral Network, www.mnchildcare.org/index.html/ChildCareOptions.pdf

Attachment C: Use of Work-Life Programs, Effectiveness of Work-Life Programs, CCH, Inc.,
www.cch.com/absenteeism/Images/UseEffectWorkLifeProgs.pdf

Attachment D: Dakota County Child Care Rate Statistics: 2004, Community Action Council
Child Care Resource and Referral

¹ S. Traill and J. Wohl, *The Economic Impact of the Child Care Industry in Minnesota*. Oakland, CA: National Economic Development and Law Center, 2003.

² Child Care Action Campaign. *Child Care Action Campaign: The First Fifteen Years*, 1999.

³ U.S. Census Bureau. *Census 2000*.

⁴ R. Chase and E. Shelton. *Child Care Use in Minnesota: Report of the 1999 Statewide Household Child Care Survey*. Minneapolis, MN: Wilder Research Center, 2001. Based on parent reports of all types of care used during school year months.

⁵ R. Chase and E. Shelton. *Child Care Use in Minnesota: Report of the 1999 Statewide Household Child Care Survey*. Minneapolis, MN: Wilder Research Center, 2001.

⁶ www.cch.com/absenteeism/

⁷ E. Galinsky and J.T. Bond, *The 1998 Business Work-Life Study: A Sourcebook*. New York, NY: Work and Families Institute, 1998.

⁸ S. Traill and J. Wohl, *The Economic Impact of the Child Care Industry in Minnesota*. Oakland, CA: National Economic Development and Law Center, 2003. Based on data from Minnesota Trade and Economic Development's *Compare Minnesota: Profiles of Minnesota's Economy and Population 2002-2003* and ES-202 Covered Employees and Wages 2001 Survey adjusted to 2003.

⁹ Ibid.

¹⁰ www.mnchildcare.org/index.html/Workforce.pdf

¹¹ E. S. Peisner-Feinberg, M. R. Burchinal, R. M. Clifford, M. L. Culkin, C. Howes, S. L. Kagan, and N. Yazejian. "The Relation of Preschool Child-Care Quality to Children's Cognitive and Social Development Trajectories through Second Grade." *Child Development*. September/October 2001, Volume 72, Number 5, Pages 1534-1553.

¹² www.fpg.unc.edu/~abc/.

¹³ L. J. Schweinwart, H. V. Barnes, and D. P. Weikart. *Significant benefits: The High/Scope Perry preschool study through age 27*. Ypsilanti, MI: High/Scope Press, 1993.

¹⁴ A. J. Reynolds, J. A. Temple, D. L. Robertson, E. A. Mann. "Long-term effects of an early childhood intervention on education achievement and juvenile arrest—A 15-year follow-up of low-income children in public schools." *Journal of American Medical Association*. May 19, 2001, v. 285, no. 18. Pp. 2239-2346.

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- ¹⁵ A. Rolnick and R. Grunewald. "Early Childhood Development: Economic Development with a High Public Return." *Fedgazette*. Minneapolis, MN: Federal Reserve Bank of Minneapolis, January 2003.
- ¹⁶ E. Galinsky, C. Howes, S. Kontos, and M. Shinn. *The Study of Children in Family Child Care and Relative Care: Highlights of Findings*, New York, NY: Families and Work Institute, 1994.
- ¹⁷ E. Davis and N. Li. "Affordable Childcare: Is There a Crisis?" *CURA Reporter*. Summer 2004, v. 34, no. 3. Pp. 1-7.
- ¹⁸ R. Chase and E. Shelton. *Child Care Use in Minnesota: Report of the 1999 Statewide Household Child Care Survey*. Minneapolis, MN: Wilder Research Center, 2001.
- ¹⁹ D. Hiransuna and N. Manzi. *Basic Needs Budgets for Custodial and Noncustodial Parents, Updated: October 1999*. St. Paul, MN: House Research Department, 1999.
- ²⁰ M. Jefferys and E. Davis, *Working in Minnesota*. St. Paul, MN: Minnesota Department of Human Services, 2004.